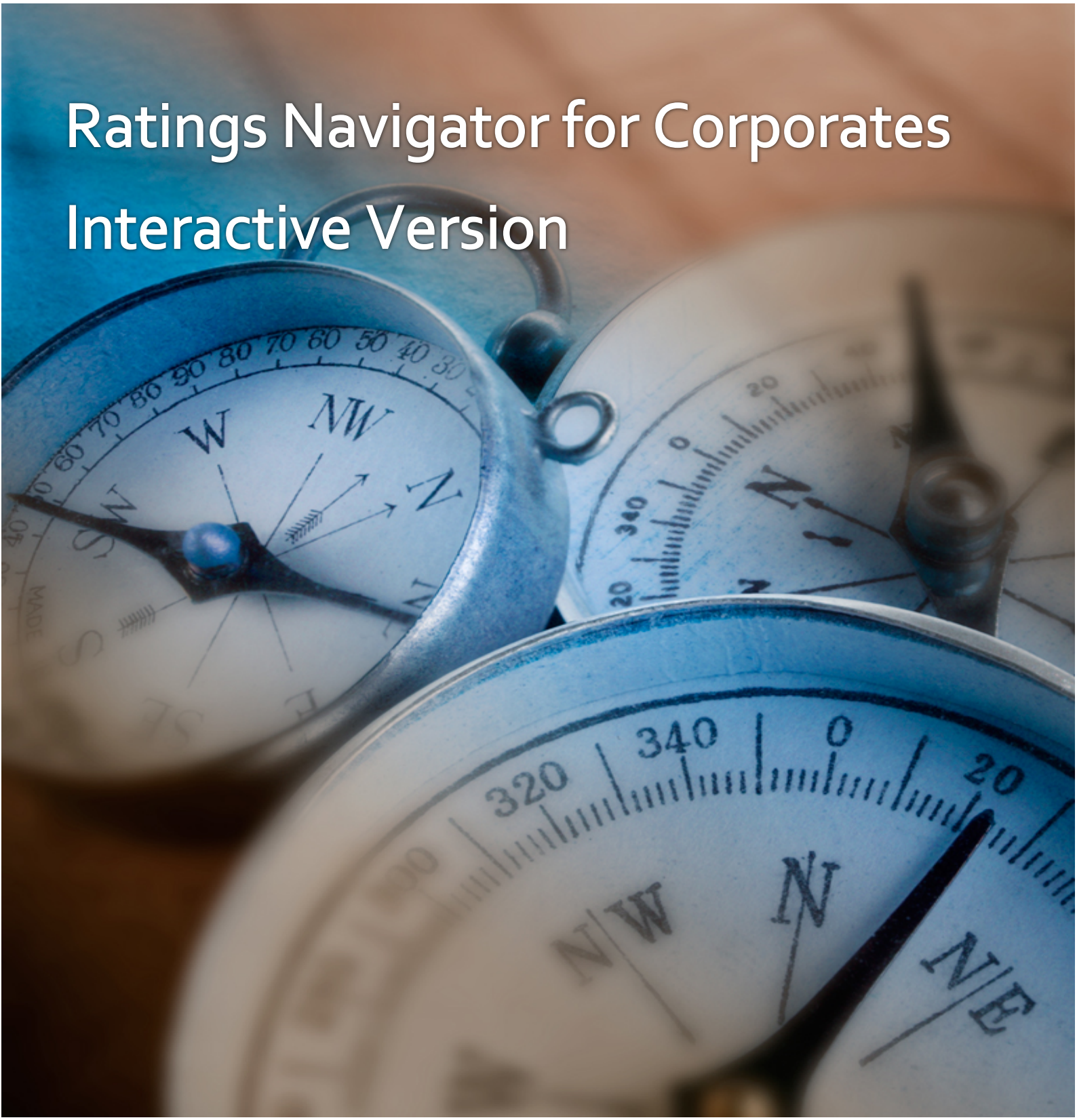
FitchRatings

Ratings Navigator for Corporates Interactive Version



User Manual for Version 1.0 **June 2015**

Navigator Interactive User Manual

Navigator for Corporates is a graphical peer comparator, and forms part of a series of similar tools being introduced across Fitch.

All Navigator information is correct at the date of publication, which may pre-date the latest rating actions.

All Navigator research and Navigator Interactive content for non-financial corporates should be read in conjunction with Introducing Ratings Navigator for Corporates, November 2014, and with the industry-specific Navigator Companion report for the issuer's sector, a full list of which is available at navigator.fitchratings.com

More information on other Navigator products for Banks, Insurance, and Infrastructure are available at info.fitchratings.com/ratingsnavigator

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FitchRatings Ratings Navigator for Corporates

What Navigator Interactive Does

Ratings Navigator for Corporates offers the next level in credit transparency.

Our Navigator snapshots already provide a visual overview of key quantitative and qualitative factors in issuers' credit profiles. We have extended the use of this data to Navigator Interactive – a fully interactive graphical peer comparator tool, combining observations for sector, country, business and financial risks across Fitch's global rating portfolio of non-financial corporates.

In Navigator Interactive, the user can:

- download Navigator charts and Factor-level peer data into an interactive web-tool for Fitch-rated corporates and for a selection of unrated issuers,
- edit the profile of existing issuers in Navigator to reflect the user's own view of an issuer's profile, including hypothetical changes to the issuer's business and financial risks,
- create a new Navigator chart for an unrated issuer, using one of more than 40 industry templates,
- generate a Factor Summary Observation (FSO) to compare unrated and rated peers,
- save and export Navigator work on a secure and fully confidential basis to a fully functional local Excel version.

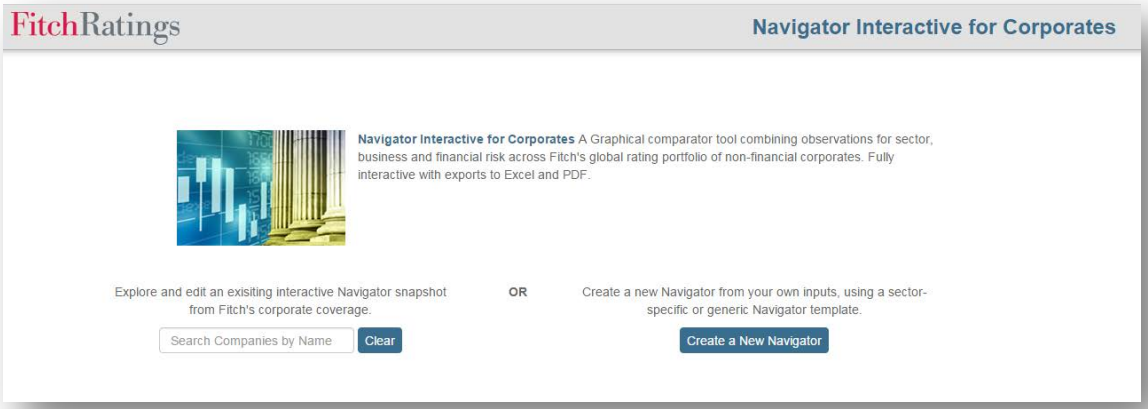
Navigator is not a criteria tool, but pulls together commonly considered factors for key industrial sectors and uses them to highlight strengths and weaknesses of issuer profiles. Navigator Interactive also introduces the Factor Summary Observation (FSO), an electronic summary of those observations. Many other considerations are included in the process of creating an actual credit rating – for more information on the FSO, consult the Technical Background section of this document.

Users are advised to familiarise themselves with the brief Frequently Asked Questions section in this document before working with the tool.

Navigator research reports are available as part of our premium research subscription within Fitch Research. Navigator Interactive will, for a trial period, be open to professional users, with exports to Excel, at navigator.fitchratings.com.

Using Navigator Interactive in the Web-Tool Version

Navigator Interactive has two modes – EDIT mode for issuers already inside the tool, and CREATE mode, which allows you to create your own Navigator from scratch.


FitchRatings
Navigator Interactive for Corporates
Navigator Interactive for Corporates A Graphical comparator tool combining observations for sector, business and financial risk across Fitch's global rating portfolio of non-financial corporates. Fully interactive with exports to Excel and PDF.
Explore and edit an exisiting interactive Navigator snapshot from Fitch's corporate coverage.
Search Companies by Name
Clear
OR
Create a new Navigator from your own inputs, using a sector-specific or generic Navigator template.
Create a New Navigator

Using Edit Mode

EDIT **'Explore and Edit' Mode – Edit an Existing Navigator**

If you would like to explore the relative strengths and weaknesses of an issuer on its existing profile, or run scenarios of a change in profile, choose the Edit mode.

Select Issuer

Edit mode will download the Navigator sector template, plus the individual Navigator inputs for the issuer you have chosen. In some cases, issuers whose activities span more than one sector will have more than one set of Navigator data. If this is the case, you will be asked to choose which Navigator template you would like to review for that issuer.

Editing Inputs

Once the Navigator data has loaded, you can edit the inputs, either at the Factor level, or at the more detailed Subfactor level.

Select Factor and Subfactor

Editing Subfactors

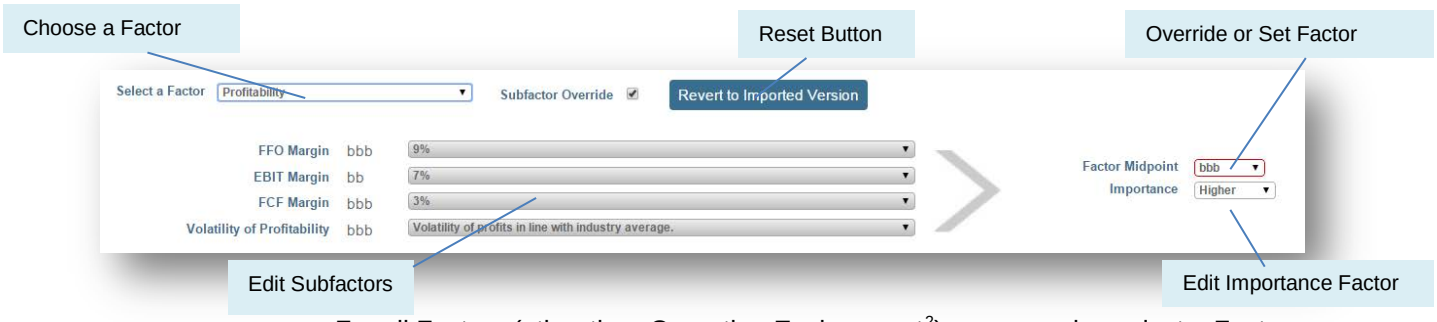
First, choose the Factor you would like to work on from the drop-down list. This will pull up the relevant Subfactors, each with their own pick-list by rating level. Here you can change the Subfactors to reflect the changes you would make in assessing the issuer's profile.

Your changes to the Subfactor will automatically update the overall Factor level, visible on the far right. The impact of your Subfactor choices on the overall Factor level will also be immediately visible on the Navigator chart.

Editing Factors Directly

Over-riding a Factor

Changing Subfactors will change the overall Factor level[1], but you can also override this calculation if you feel that one Subfactor is more dominant. To override a Factor calculation, use the overall 'Factor Midpoint' pick-list on the far right. The position of the Factor will then change on the Navigator chart. The Factor box will now also be highlighted in red, and the 'Subfactor Override' box will be ticked. To return to automatic Factor calculation, untick the 'Subfactor Override' box, and the Factor will return to automatic calculation for that Factor.



'Importance' setting

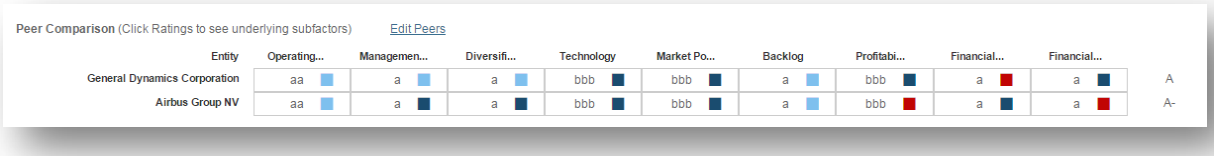
For all Factors (other than Operating Environment[2]), you can also select a Factor Importance level from the drop-down list. This will increase or decrease the Factor's importance in the FSO calculation[1].

You can proceed in this manner for all of the individual Factors and their respective Subfactors. Factor levels will always recalculate, move position and change colour on the Navigator chart in real time.

Checking Against Peers

Peer Table

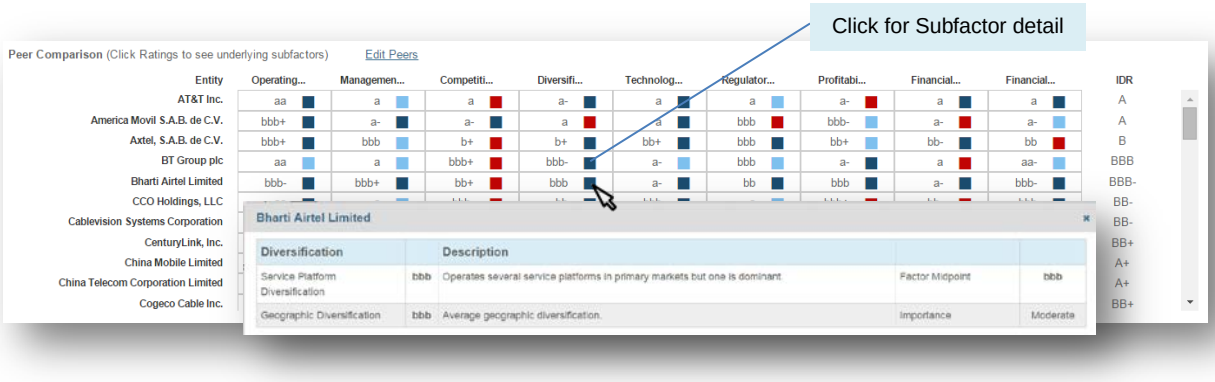
The comparable Factor and Importance levels for immediate peers are displayed below the Navigator chart and editing areas. You can change the number and identity of peers using the 'Edit Peers' link immediately above the peer table. Note that you can only select peers that have been entered using the same Navigator template, ie in the same sector.



[1] See 'Factor and Factor Summary Observation Calculations'

[2] The Importance level for the 'Operating Environment' Factor is generated automatically by comparing the level of the FSO with that of the Operating Environment – only if the OE is sufficiently lower than the FSO to affect the FSO calculation would the Importance level be High

If you want to review the detailed Subfactors behind any of the peer data (for example, the Subfactors behind a peer's 'Financial Flexibility' Factor), click on the Factor square within the peer table.



Resetting to Original Inputs

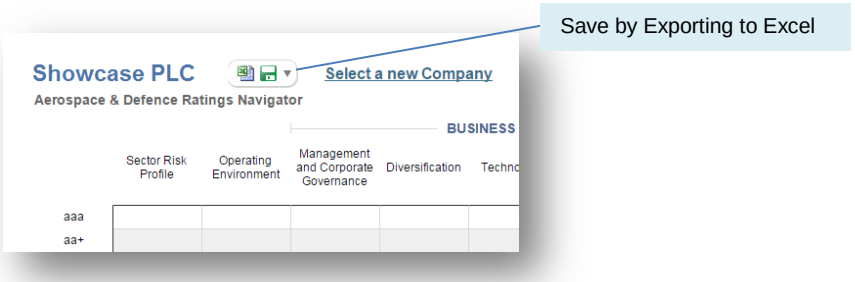
Reset to Fitch Values

If you wish to return to the originally downloaded Navigator inputs set by Fitch analysts, you can click the 'Revert to Imported Version' at any time (this will reset all factors and peers to their originally imported settings).

Saving Your Work

Saving to Excel

For confidentiality reasons, your work on Navigator can only be saved into a local version of Navigator, generated in Excel (see the 'Excel Export version' below). You can continue to edit and review all your work and generate Navigator charts on this Export version, but you cannot re-import data to the web-based Navigator tool at any stage.

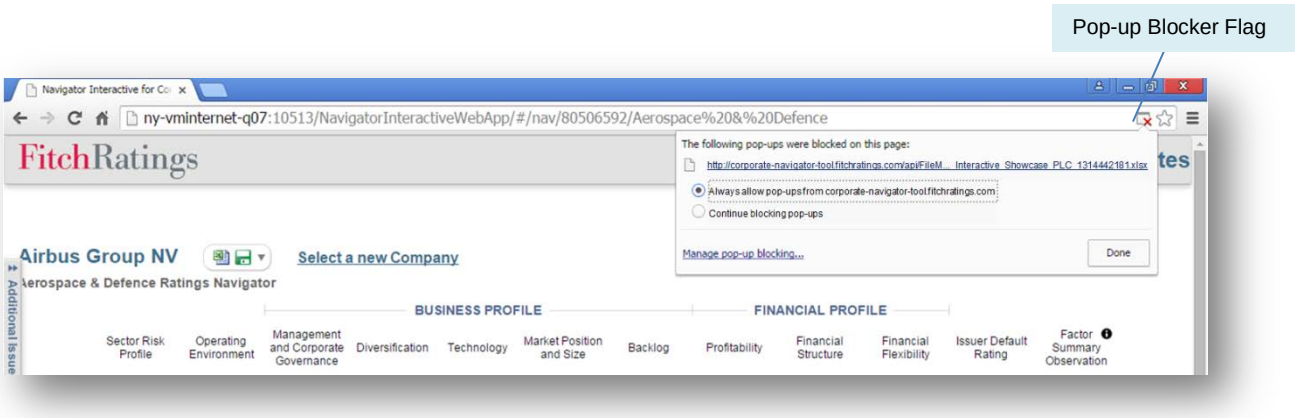


Export Shortcut

Tip: To export a final chart quickly in soft copy (e.g. for use in Powerpoint presentations or e-mails), you can also simply use the **image capture tool** on your computer ('Snipping Tool' in Windows, Command ⌘ + Shift + 4 in OS X) to copy and paste the chart area for export to another document.

Problems with Download

If the export does not follow automatically, you may be asked to accept a pop-up. This is easily done on most browsers – the below example is from Chrome. If you experience further problems, please consult the Download Troubleshooter appendix below:



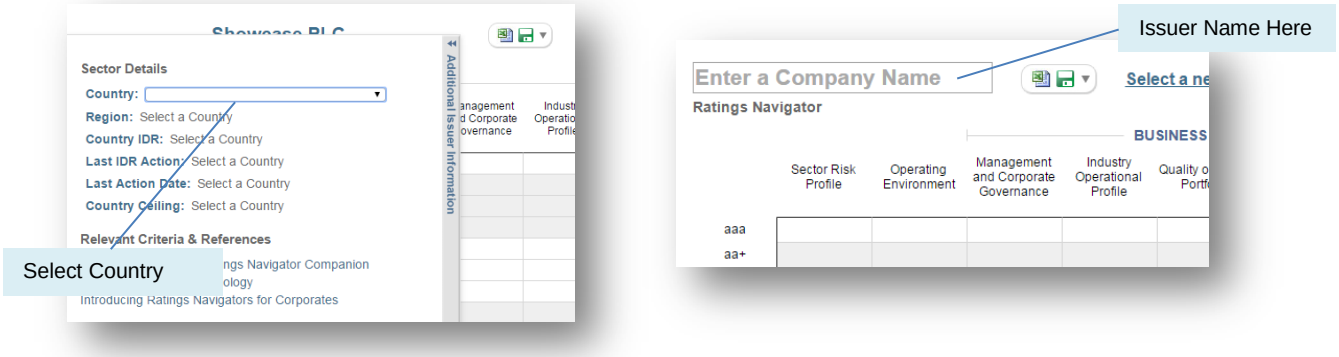
Using Create Mode

CREATE **'Create' Mode – Create a New Navigator**

To create a Navigator chart for an entity for which no data is held by Fitch, choose the 'Create a Navigator' option on the home screen.

Select Industry

You will be asked to pick a Navigator sector template to use, and then be asked to enter the name of the issuer.



You MUST enter a country for the issuer, by clicking on the 'Additional Issuer Information' tab to the left, and select a country. You will find the Navigator easier to use if you choose the functional country of incorporation[3].

If you do not enter a country, the Navigator will not export to Excel.

Creating Using Subfactors

Select Factor and Subfactor

As with 'Edit' mode, you should select a Factor from the drop-down list, and set each Subfactor to match your view of the issuer. No bars will appear on the Navigator chart until you have made your first entry for each Factor. As soon as Navigator has calculated a Factor, that Factor's chart-bar will be generated and placed on the chart. The final FSO will not be generated until all Factors have been entered – after that point, it will recalculate and move in real time, as with Edit mode.

[3] For example, you will have fewer adjustments to make to the Operating Environment factor if you enter, for example, a substantively Brazilian, Russian or Chinese company registered in Luxembourg or the Cayman Islands, as Brazilian, Russian or Chinese within the Navigator.

Creating Using Factors Only

Over-riding a Factor

For faster entry, you can enter and edit Navigator at the overall Factor level instead. As in 'Edit' mode, use the 'Factor Midpoint' pick-list on the far right. You can also use this pick-list to override any Subfactors you have entered. The position of the Factor will then change on the Navigator chart, as will the level used for the Factor Summary Observation calculation. The Factor box will also be highlighted in red, and the 'Subfactor Override' box will be ticked. To return to automatic Factor calculation, untick the 'Subfactor Override' box, and the Factor will return to automatic calculation.

Operating Environment

Operating Environment

Creating an Operating Environment level requires some preparatory work to define the three Subfactors, Economic Environment, Financial Access and Systemic Governance. More detail is contained in Technical Background section 2: Operating Environment. Alternatively, a simplified entry approach is available once the Navigator has been saved to Excel – see Using Navigator in the Excel Export Version.

(shortcut for developed markets)

As a **shortcut**, users comparing issuers in predominantly developed markets can opt to simply set the OE at 'aa' using 'Override'. We recommend that users comparing issuers active in emerging markets view the Appendix below before considering whether or not to override either in the web tool or the Excel export.

Selecting Importance

'Importance' setting

For all Factors other than Operating Environment, you MUST also select a Factor Importance level from the drop-down list. This will increase or decrease the Factor's importance in the FSO calculation[1]. The Importance level for the 'Operating Environment' Factor is generated automatically by comparing the level of the FSO with that of the Operating Environment – only if the OE is sufficiently lower than the FSO to affect the FSO calculation would the Importance level be High. The colour of the OE bar will indicate automatically whether it is affecting the FSO (red for High), close to the FSO (dark blue for Moderate) or irrelevant for the FSO (light blue for Low).

You can proceed in this manner for all Factors and their respective Subfactors. Factor levels will recalculate, move position and change colour on the Navigator chart in real time.

If you do not select Importance levels on each, Navigator will not export to Excel.

Checking Against Peers

Peer Table

To help you select relevant Factor and Importance levels, the comparable Factor and Importance levels for immediate peers are displayed below the Navigator chart and editing areas. You can change the number and identity of peers using the 'Edit Peers' link immediately above the peer table. You can only select peers that have been entered in the same Navigator template.

If you want to review the detailed Subfactors behind any of the peer data (for example, the Subfactors behind a peer's "Financial Flexibility" Factor), click on the Factor level within the peer table.

Reset

Reset

Clicking on 'Revert to Imported Version' in 'Create' mode will take your Navigator back to the blank sector template with which you started, and erase all your entries.

Saving Your Work

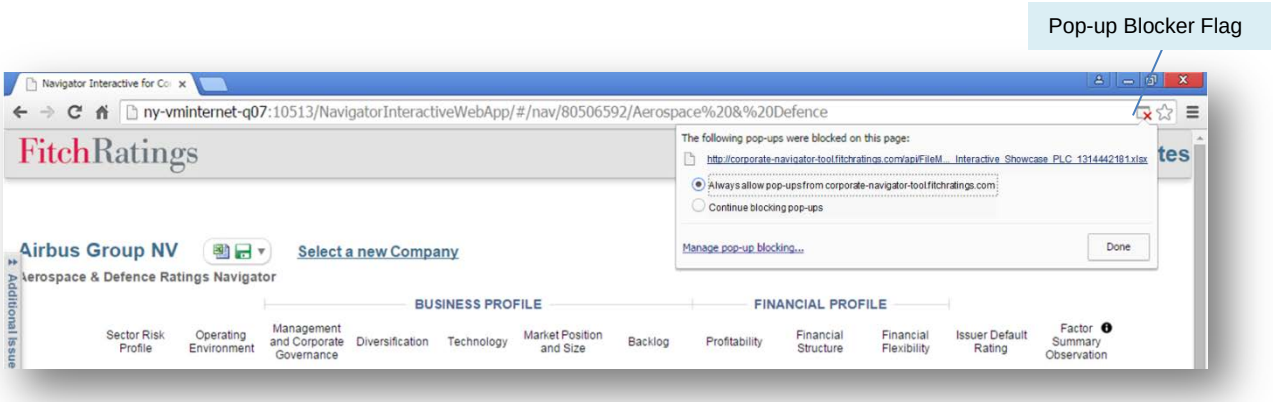
Saving to Excel

For confidentiality reasons, your work on Navigator can only be saved into a local version of Navigator, generated in Excel (see the 'Excel Export version' below). You can continue to edit and review all your work and generate Navigator charts on this Export version, but you cannot re-import data to the web-based Navigator tool at any stage.

In 'Create' mode, you MUST select both a country of incorporation and an Importance level for each factor, or the Navigator will NOT export.

Problems with Download

If the export does not follow automatically, you may be asked to accept a pop-up. This is easily done on most browsers – the below example is from Chrome. If you experience further problems, please consult the Download Troubleshooter appendix below:



Export Shortcut

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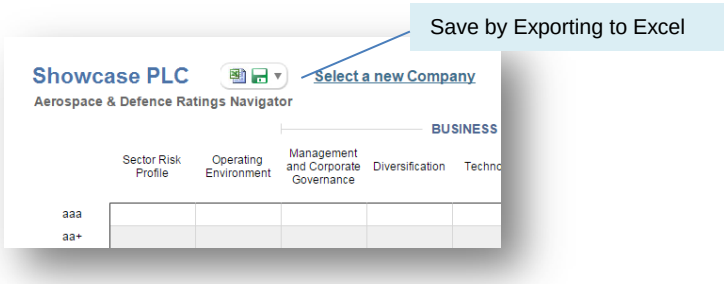
Saving to the Export Version

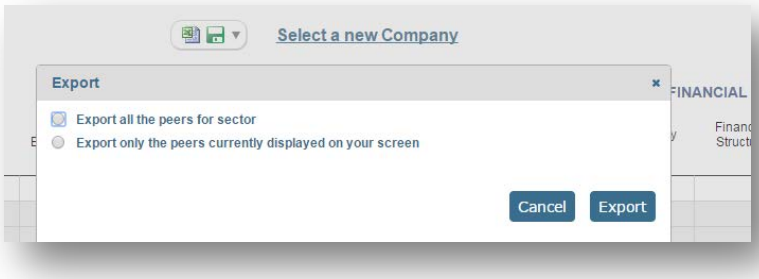
Save or Export with Edit Rights

If you wish to carry out any further work on the Navigator once your session on the web-based tool is over, you must save/export it to a portable Excel version (the 'Excel Export version' or 'EEV'). Use this where you wish to continue work on a Navigator over multiple sessions, or to share an editable version with a colleague within your institution.



Saving to Excel

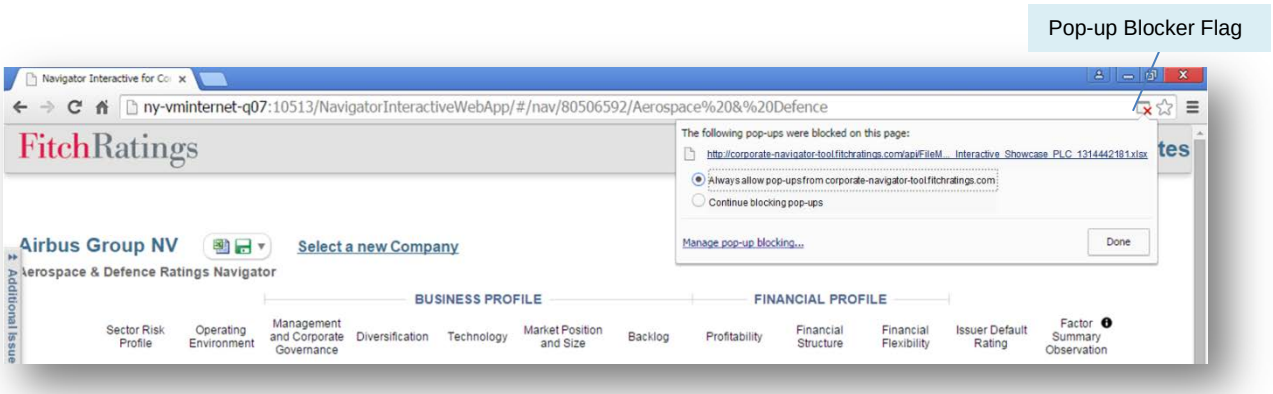
To create an Export version, click on 'Save/Export'. You will be asked which peers you wish to download as part of the export. You can choose between the peers selected and visible in the web-based tool, or additional names from among all the peers held by Fitch in its database. Be aware that clicking 'Select All' will show a very large number of peers for most industries.



In 'Create' mode, you MUST select both a country of incorporation and an Importance level for each factor, or the Navigator will NOT export.

Problems with Download

If the export does not follow automatically, you may be asked to accept a pop-up. This is easily done on most browsers – the below example is from Chrome. If you experience further problems, please consult the Download Troubleshooter appendix below:

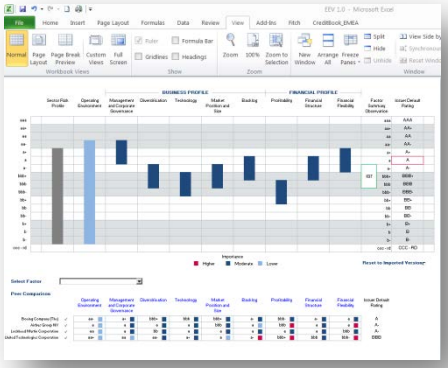


Using the Excel Export Version

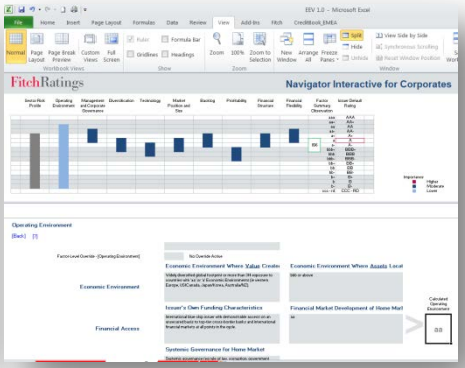
You can edit the Excel Export Version (EEV) in broadly the same way as the web-based tool.

Excel Export Version Structure

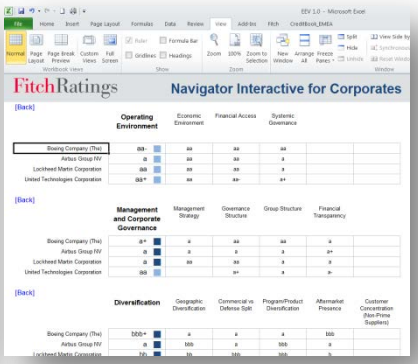
The EEV consist of five sheets – the Summary and Navigation page, the Factor Details editing page, two sets of Peer Details pages, and a Help page.



Summary & Navigation



Factor Details/Editing



Peer Details

Summary and Navigation Page

The Summary and Navigation page contains the Navigator chart, the Factor selection box and the main Peer table. It has three main functions – **Printing**, **Editing Navigation** and **Peer Selection**.

Tip: Pressing Ctrl + F1 will suppress the Excel command ribbon to give you more screen space to work with the tool.

Function 1 - Printing

Printing from here will give provide a Navigator chart, an FSO and a Peer table.

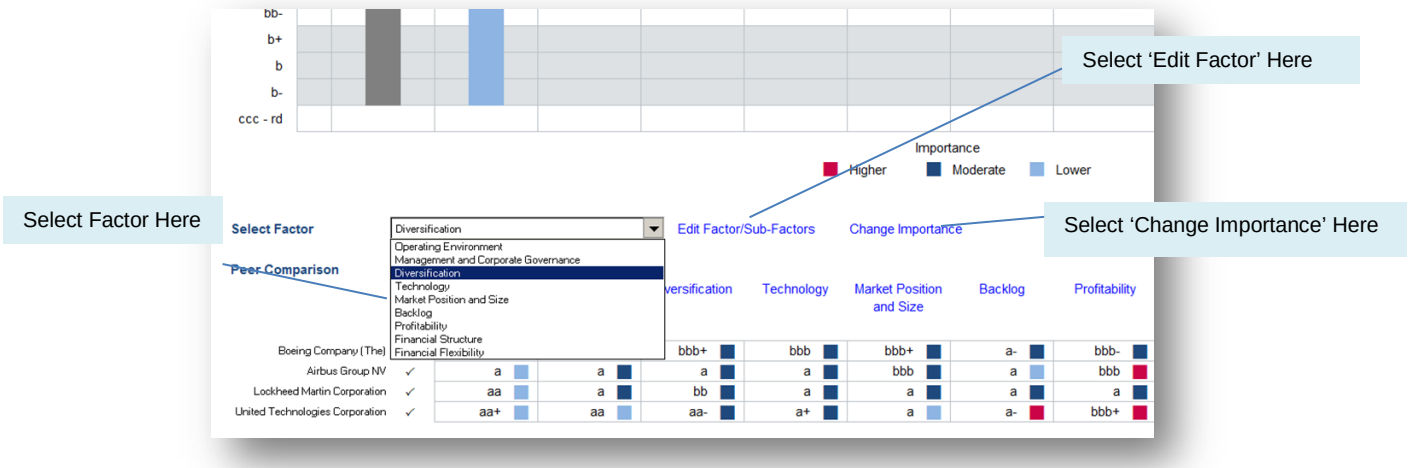
Printing a Navigator

To print a Navigator Summary, simply select your print dialogue using your normal Excel shortcuts (e.g. Ctrl + P). The page is pre-formatted for printing to PDF or hard copy on a single sheet.

Function 2 – Choosing Factors to Edit

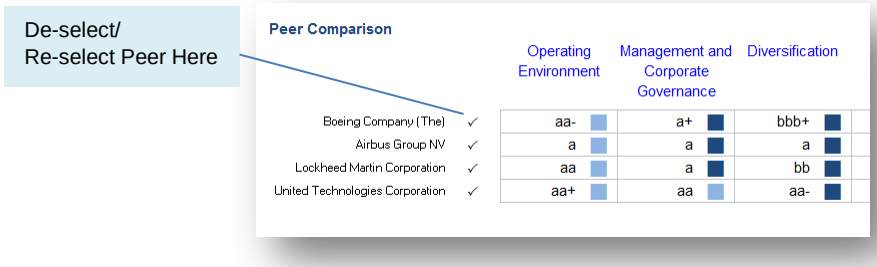
Editing

Picking a Factor to Edit is as simple as selecting the Factor from the pick-list on the left-hand side of the Summary and Navigation sheet, and then clicking on the link to either edit the Factor/Subfactors or select an Importance value. This will take you to the EEV Editing page.



Function 3 - Peer Selection

All the Peers imported from the web tool are visible in the summary peer table. To increase or decrease the number of peers chosen on the Peer Details page, delete the tick mark alongside the peer. To re-select the peer, re-enter a tick alongside the peer by typing an upper-case 'P'.

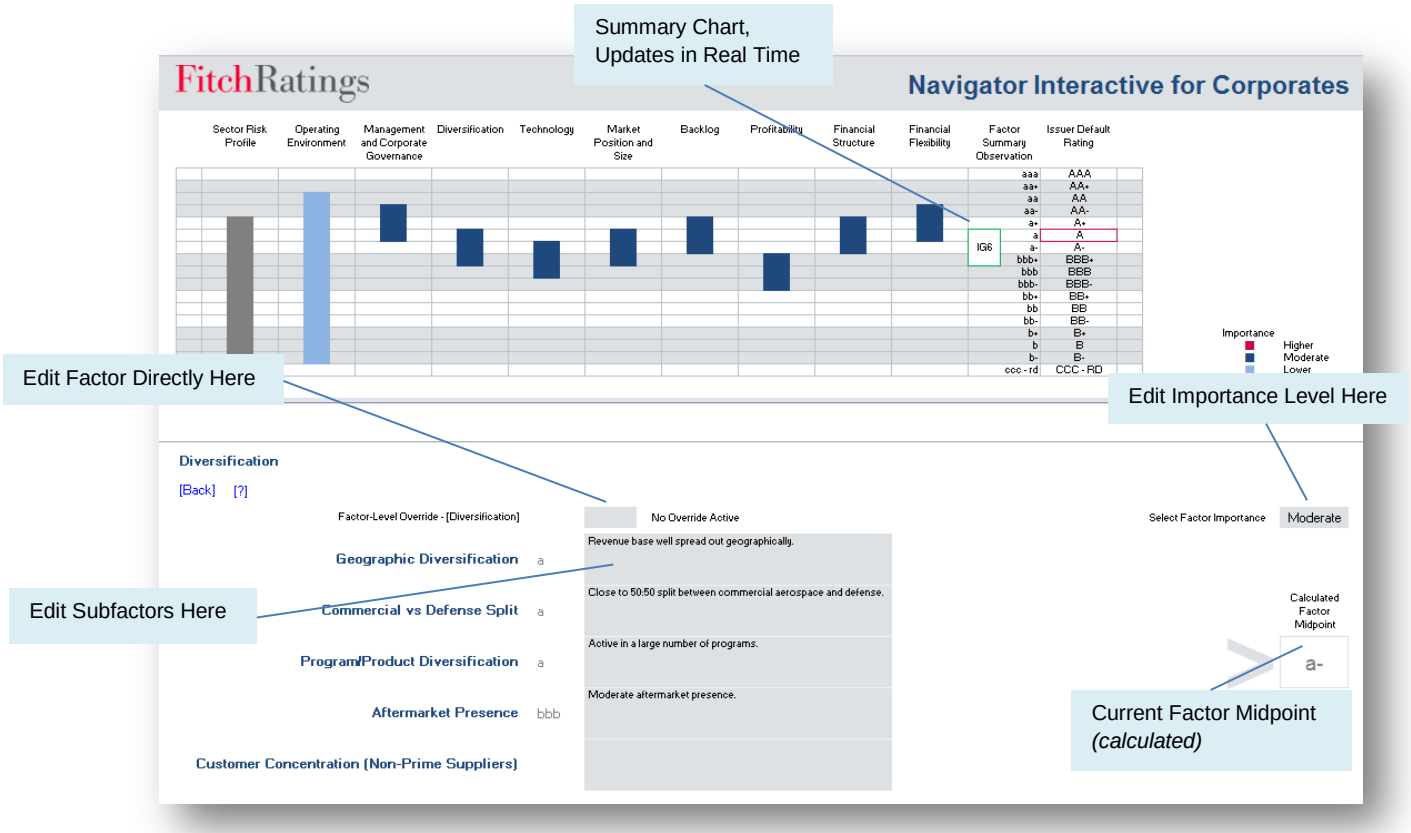


Note that de-selected peers will remain in the table on the Summary and Navigation page, and that you can only select/de-select peers that were originally imported to the EEV. You cannot import additional peers into the EEV once the EEV has been created.

EEV Editing Page

Editing Subfactors and Factors in the EEV is very similar to the process in the web tool. The link on the Summary and Navigation page, selected as noted above, will take you to the relevant lines in the Factor Details editing page, from which you can either choose/edit individual Subfactors, or choose/edit at the overall Factor level.

We have employed a split screen on this page, so that a miniature version of the Navigator chart in the top half of the page allows you to keep track of how your edits are affecting the main Navigator chart, and the FSO.

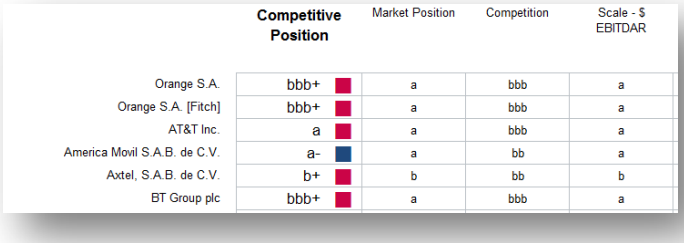


Note that each Factor **must** have a value, and each Factor **must** also be assigned an Importance level, before an FSO will be generated.

Peer Details Pages

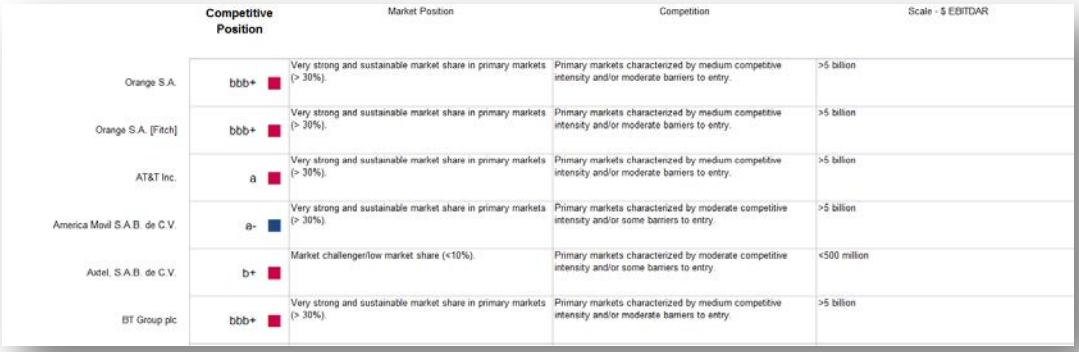
The EEV also allows you to review and export the detailed Factor and Subfactor level values in your tool for every peer you have imported. We have provided two separate Peer Details pages

1. Peer Details with Levels reports the Subfactor level (eg 'aa' or 'bbb+') and its Importance level. This Peer page will show the imported values for peers, and the current values for the work you have carried out on that Navigator's subject issuer.



	Competitive Position	Market Position	Competition	Scale - $ EBITDAR
Orange S.A.	bbb+	a	bbb	a
Orange S.A. [Fitch]	bbb+	a	bbb	a
AT&T Inc.	a	a	bbb	a
America Movil S.A.B. de C.V.	a-	a	bb	a
Axtel, S.A.B. de C.V.	b+	b	bb	b
BT Group plc	bbb+	a	bbb	a

2. Peer Details with Values reports the actual Description of each Subfactor (e.g. forecasted range midpoint for FFO Gross Leverage of 4.0x). Note that, for ratios the descriptions refer to the midpoints of ranges, using Fitch's forecasts, rather than a precise forecast.



	Competitive Position	Market Position	Competition	Scale - $ EBITDAR
Orange S.A.	bbb+	Very strong and sustainable market share in primary markets (> 30%).	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.	>5 billion
Orange S.A. [Fitch]	bbb+	Very strong and sustainable market share in primary markets (> 30%).	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.	>5 billion
AT&T Inc.	a	Very strong and sustainable market share in primary markets (> 30%).	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.	>5 billion
America Movil S.A.B. de C.V.	a-	Very strong and sustainable market share in primary markets (> 30%).	Primary markets characterized by moderate competitive intensity and/or some barriers to entry.	>5 billion
Axtel, S.A.B. de C.V.	b+	Market challenger/low market share (<10%).	Primary markets characterized by moderate competitive intensity and/or some barriers to entry.	<500 million
BT Group plc	bbb+	Very strong and sustainable market share in primary markets (> 30%).	Primary markets characterized by medium competitive intensity and/or moderate barriers to entry.	>5 billion

Selection and de-selection of peers is controlled on the Summary and Navigation page (see above). To print the Peer Detail page, simply select your print dialogue using your normal Excel shortcuts (e.g. Ctrl + P). The page is pre-formatted for printing to PDF or hard copy on a single sheet.

Note: If you share an editable version with a colleague, you are responsible for ensuring they read and understand the terms and conditions to which you have agreed in opening the Navigator tool – these terms and conditions are repeated on the final tab of the Export version.

Technical Background

I. Factor and Factor Summary Observation Calculations

Principles of Calculation

For the convenience of users, we have included simple algorithms within Navigator Interactive to help summarise a simplistic interaction of the factors that the tool presents for each peer. We have chosen to keep the calculations simple, to avoid confusion with an actual rating process, but believe they mimic the thought process for credit ratings in three important ways:

- Credit risk is asymmetric, and therefore positive outliers tend to attract lower importance in the Factor and FSO calculations than negative outliers.
- Credit risk is often affected by the weakest link in a chain, rather than a neatly blended average, so high risk factors attract significantly higher importance in the Factor and FSO calculations than moderate and lower risk factors.
- Operating environment is a more complex blend of risks than simply the rating of the country in which the issuer is headquartered. In many cases it has no impact; in others it will have a material depressive effect. It is also often asymmetric in nature.

Based on these three key parameters, we developed two very simple formulae for computing individual Factors from Subfactors, and the FSO from individual Factors. These formulae apply across all Navigator sector templates.

Subfactors are combined to form individual Factor levels using the following formula:

Subfactor to Factor calculation

Example 1: Three subfactors 'bbb'/'b'/'bb', with the subfactor elements converted to a numerical score 'bbb'=12, 'b'=6, 'bb'=9) could be computed as 1/((1/12 + 1/6 + 1/9)/3) = 8.3, so an overall factor midpoint of 'bb-'.

Example 2: Three subfactors 'a'/'bbb'/'b', with the subfactor elements converted to a numerical score 'a'=15, 'bbb'=12, 'b'=6) would be computed as 1/((1/15+1/12+1/6)/3) = 9.5, so an overall factor midpoint of 'bb+'.

Note that Subfactors are entered at an unmodified category level (eg 'bbb' rather than 'bbb+' or 'bbb-'). As a result, although the calculation to arrive at an individual Factor level generates a notch-specific Factor mid-point, the overall Factor is expressed in the Navigator chart as a band of three notches.

Factor to FSO calculation

Factors are then combined to form an overall Factor Summary Observation (FSO) using the following formula, introducing the 'Importance' flags:

*Example 1: Three Factors 'bbb' (High) /'b+' (Moderate) /'b' (Low), with the Factor elements converted to a numerical score ('bbb'=12, 'b+'=7, 'b'=6) could be computed as 1/((1/12*4 + 1/7*1 + 1/6*0.2)/5.2) = 10.2, so an FSO midpoint of 'bb+'.*
*Example 2: Three subfactors 'a-'(Low) /'bbb' (Moderate) /'b' (High), with the subfactor elements converted to a numerical score ('a-'=14, 'bbb'=12, 'b'=6) would be computed as 1/(((1/14*0.2 + 1/12*1 + 1/6*4)/5.2) = 6.8, so an FSO midpoint of 'b+'.*

The values used to blend importance and Factor levels were reviewed against Fitch's portfolio of rated entities to measure for a broad line of good fit. The above mixture of values was found to generate a generally good fit across sectors and rating categories, as discussed in the Q&A Section below. The selection of 'High' importance Factors was more significant for generating an FSO that mimicked the Fitch rating outcome at lower levels of rating.

Individual Subfactors and Factors may be overridden, but the FSO itself cannot be.

II. Navigator Interactive's 'Operating Environment'

The Purpose of the Operating Environment Factor

Purpose

The Operating Environment (OE) attempts to mimic, graphically, the impact on the issuer's profile of the wider context in which it operates, irrespective of its sector, and make any adjustments this implies to the Factor Summary Observation.

Setting OE in the web-tool (simplified cases)

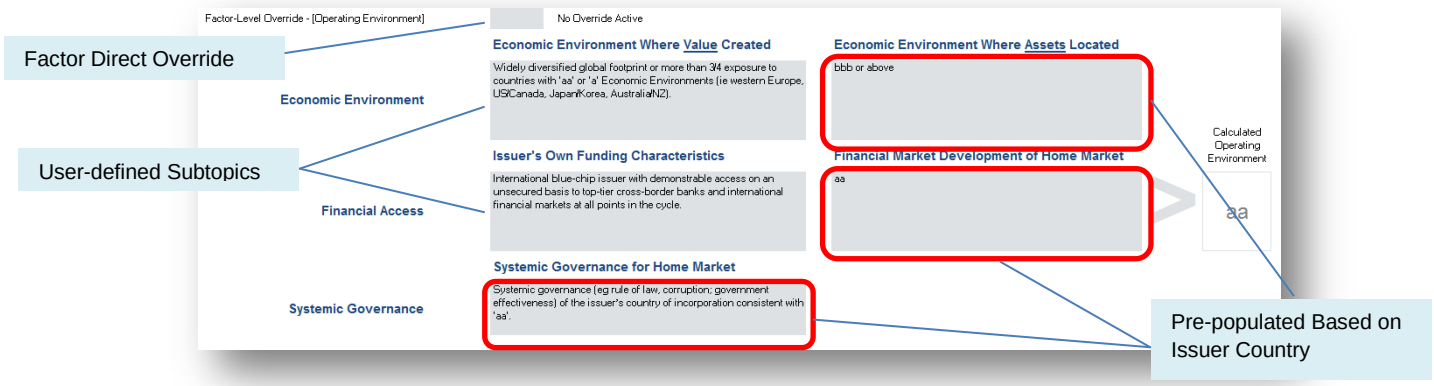
In the **web tool** version of Navigator Interactive, we have left the choices for OE at the aggregated Subfactor level. This will serve most uses of the tool, for issuers in markets where the combined effects of their operating environments do not exert a material influence over the credit profile.

You can pick the OE at a very broad level on the three Subfactors of Economic Environment, Financial Access and Systemic Governance, or by setting the overall Factor.

Setting OE in the Excel export (more complex cases)

To apply a more detailed approach, we recommend that users download their completed edits into the Excel Export Version, and adjust the OE from there.

Inside the EEV, the OE is broken into five Subtopics, three of which are <u>auto-populated</u> based on your pre-input country of incorporation of the issuer.


Factor Direct Override
User-defined Subtopics
Factor-Level Override - [Operating Environment]
No Override Active
Economic Environment
Financial Access
Systemic Governance
Economic Environment Where Value Created
Widely diversified global footprint or more than 3/4 exposure to countries with 'aa' or 'a' Economic Environments (ie western Europe, US/Canada, Japan/Korea, Australia/NZ).
Economic Environment Where Assets Located
bbb or above
Issuer's Own Funding Characteristics
International blue-chip issuer with demonstrable access on an unsecured basis to top-tier cross-border banks and international financial markets at all points in the cycle.
Financial Market Development of Home Market
aa
Systemic Governance for Home Market
Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
Calculated Operating Environment
aa
Pre-populated Based on Issuer Country

You MUST enter selections for the two remaining sub-topics – "Economic Environment Where Value Created" and "Issuer's Own Funding Characteristics" to ensure that an appropriate OE is calculated.

How the OE Works

The OE is a blend of three subfactors: Economic Environment, Financial Access, and Systemic Governance. When Systemic Governance is the weakest of the three, it is likely to be given a higher relative importance.

Individual countries' Economic Environment, Financial Market Development and Systemic Governance levels referred to in the following sections can be found below.

Subfactor: Economic Environment

Key macro variables affecting corporates in a given economy or range of economies.

The Economic Environment (EE) incorporates Fitch's views on key macro variables that may affect a corporate's fundamental credit strengths, such as the stage of economic development, economic growth expectations and the relative stability or volatility of the economy as a whole. Issuers operating solely within the same country will receive a factor equal to the country's EE.

The assessment will take a blended view of the OE for corporates that operate in various geographies. Rather than impose a complicated case-by-case calculation for what is often a dynamic value, this blend follows the simplified matrix below. The current EE level for each country can be found below.

Issuer Economic Environment

	Economic Environment Level of the Country/Countries Where the Majority of the Issuer's Assets are Located		
Economic Environment of Country/Countries where Economic Value is Created	**bbb or above**	**bb**	**b or lower**
Widely diversified global footprint or more than 3/4 exposure to countries with 'aa' or 'a' Economic Environments (ie western Europe, US/Canada, Japan/Korea, Australia/NZ).	aa	a	bbb
Diversified footprint with majority of countries benefiting from an Economic Environment of 'a' (same as above + Taiwan, Chile, Poland/Czech Republic). Less than 25% exposure to countries with 'bb' or lower Economic Environment. Category applicable to sellers of commodities in world markets.	a	bbb	bb
Some diversification and more than 50% exposure to countries with an Economic Environment of 'bbb' or above (same as above + IG Latin America and Eastern European EU members). Less than 25% exposure on countries with 'b' Economic Environment.	bbb	bbb	bb
More than 50% exposure to countries with an economic environment of 'bb' or less. Less than 25% exposure on countries with a 'b' economic environment.	bb	bb	b
As above with limited diversification and/or more than 25% exposure on countries with 'b' Economic Environment.	bb	b	b
More than 50% exposure to countries with 'b' or lower Economic Environment.	b	b	b

Source: Fitch

The EE Subfactor of an issuer is assessed by looking at both:

- Subtopic 1: the profile of the countries where the economic **value is created** by the issuer, ie the destination of the issuer's products, and
- Subtopic 2: the country or countries where its **assets are located**, ie where the products or services are originated.

Pre-selected values in the Excel version

In the EEV version of Navigator Interactive, the horizontal axis of the matrix (the asset location) is pre-selected based on the country already selected for that issuer as part of its identifier information. You can nonetheless edit this selection (for example, if a Canadian-registered oil company operates fields predominantly located in Africa).

Definition of 'value'

The notion of economic value encompasses **both revenue and profit**, the relative importance of which will vary case by case. For example, an entity's trading business generating high revenues but minimal profits may not be given much weight in the analysis. Conversely, a large but non-profitable division in the core business of an issuer is relevant even though it is making little profit.

The location of assets in weak economic environments can pull down the EE level of an issuer. For example, the likelihood of major disruption to the production process due to labour unrest is more likely in weak economies. This allows a differentiation between two issuers selling in the same markets but with assets located in countries with significantly different levels of economic stability (Ukrainian versus Brazilian grain exporters, for example).

Subfactor: Financial Access

Blended assessment of issuer's access to capital, locally and globally.

An issuer's Financial Access (FA) level is a combination of:

Components of Financial Access

- Subtopic 3: the strength of its **local financial system** (both banks and capital markets) as reflected in the Financial Market Development level of the relevant country, and its own level of access to local funding, and
- Subtopic 4: its record of and ability to sustainably access **international financial markets** and institutions.

An issuer with good local access but limited access to international funding gets the same input as the Financial Market Development level of its local market. The extent of the ability to tap international markets or banks on an unsecured basis defines how much the issuer can detach itself from the strength of its local financial market.

Issuer Financial Access

	Financial Market Development Level of Local Market				
Issuer's Funding Characteristics.	**aa**	**a**	**bbb**	**bb**	**b**
International blue-chip issuer with demonstrable access on an unsecured basis to top-tier cross-border banks and international financial markets at all points in the cycle.	aa	aa	aa	a	a
National blue chip with extensive relationships with domestic financial institutions or some access to top-tier cross-border banks and international financial markets. Access more vulnerable to sudden interruption than in the above category.	aa	aa	a	bbb	bb
Issuer with strong local access but limited access to international funding.	aa	a	bbb	bb	b
Issuer with average local access and very limited access to international funding.	a	bbb	bb	b	b
Issuer with qualified local access.	bb	bb	b	b	b

Source: Fitch

Pre-selected values in the Excel version

Again, in the EEV, the horizontal axis of the matrix (local market development) will be a pre-selection based on the already entered country of the issuer, but which can be edited as necessary.

Subfactor: Systemic Governance

Governance risks affecting the home jurisdiction (rather than issuer-specific governance).

Each country's Systemic Governance level (see tables below) is based on a weighted average of the World Bank's Voice and Accountability, Political Stability, Ease of Doing Business, Control of Corruption, Government Effectiveness and Rule of Law indicators (by increasing order of importance). An issuer will generally simply receive the level of the country in which its headquarters are located.

Pre-selected values in the Excel version

In the EEV version of Navigator Interactive, the Systemic Governance Subfactor is pre-selected based on the country already selected for that issuer as part of its identifier information. You can nonetheless edit this selection.

Importantly, poor individual governance at issuer level (even if typical for the country) would not be reflected in Systemic Governance but instead in the issuer-specific Management/Corporate Governance factor in the remaining Navigator inputs.

Impact of the Operating Environment on the FSO

In many cases, the Operating Environment has no direct impact on the FSO calculated by Navigator Interactive. In such cases, the 'Importance' setting of the OE will automatically appear in both web and Excel versions as 'Low' (in light blue).

In other cases, the OE can reduce the level of FSO calculated by Navigator Interactive.The OE bar will therefore appear as a 'High' importance factor, in red. The impact is asymmetrical – the OE can never lead to a higher final FSO.

How the FSO is modified by the OE result

To assess the impact of the OE on the FSO, Navigator Interactive calculates a preliminary or 'pre-operating environment' FSO (PFSO). The PFSO is the FSO of that issuer, absent any influence from OE. This PFSO is then compared with the OE for that issuer. Depending on the level of the OE and its distance below the midpoint of the PFSO, the midpoint of the final FSO may be lowered by up to two notches from the midpoint of the PFSO. The table below shows the exact influence of the OE on a given PFSO. This process is calculated automatically, so the FSO displayed in Navigator Interactive always includes the impact of the operating environment.

Operating Environment Rating Impact

	PFSO and Midpoint Level												
	SG15	**SG14**	**SG13**	**SG12**	**SG11**	**XO10**	**XO9**	**IG8**	**IG7**	**IG6**	**IG5**	**IG4**	**IG3**
OE blended	**b-**	**b**	**b+**	**bb-**	**bb**	**bb+**	**bbb-**	**bbb**	**bbb+**	**a-**	**a**	**a+**	**aa-**
b-	b-	b-	b	b+	bb-	bb	bb	bb+	bbb-	bbb	bbb+	a-	a
b	b-	b	b	b+	bb-	bb	bb+	bb+	bbb-	bbb	bbb+	a-	a
b+	b-	b	b+	b+	bb-	bb	bb+	bbb-	bbb-	bbb	bbb+	a-	a
bb-	b-	b	b+	bb-	bb-	bb	bb+	bbb-	bbb	bbb	bbb+	a-	a
bb	b-	b	b+	bb-	bb	bb+	bb+	bbb-	bbb	bbb+	bbb+	a-	a
bb+	b-	b	b+	bb-	bb	bb+	bbb-	bbb-	bbb	bbb+	a-	a-	a
bbb-	b-	b	b+	bb-	bb	bb+	bbb-	bbb	bbb+	a-	a-	a	a+
Bbb	b-	b	b+	bb-	bb	bb+	bbb-	bbb	bbb+	a-	a	a	a+
bbb+	b-	b	b+	bb-	bb	bb+	bbb-	bbb	bbb+	a-	a	a+	a+
a- or above	b-	b	b+	bb-	bb	bb+	bbb-	bbb	bbb+	a-	a	a+	aa-

Source: Fitch

As general examples:

- An OE in the 'a' or above category has no impact on the FSO.
- An OE in the 'bbb' category has a limited impact, and only affects issuers for which the midpoint of the PFSO is four notches higher than the OE level.
- The negative impact of an OE in the 'b' rating category or at 'bb−' starts affecting issuers where the midpoint of the PFSO is only one notch above the OE.

For example, the PFSO of fictional Russian entity *OAO Showcase* is calculated as 'IG8' and therefore has a midpoint of 'bbb'. The three components of the OE are assessed as set out below.

Worked example: OAO Showcase

- Economic Environment: 'bbb', as *OAO Showcase* is based in Russia but benefits from some diversification and more than 50% exposure to countries with an economic environment of 'bbb' or above.
- Financial Access Score: 'bbb', as *OAO Showcase* is a national blue chip with access to international funding based in a 'bb' local financial market.
- Systemic Governance: 'b', as *OAO Showcase* is based in Russia.

The blended assessment of the OE is 'bb−' due to the higher weight given to the low Systemic Governance score (a simple average would have given a result of 'bb+').

Using the table above, the OE of 'bb−' lowers the PFSO of 'IG8' (with a midpoint of 'bbb') to a final FSO of 'XO9' (with a midpoint of 'bbb−') for *OAO Showcase*.

OE does not include country ceiling cap

To ensure a simple, standalone measure, the OE does not include the impact of the issuer's country ceiling – the transfer & convertibility risk related to an issuer's sovereign jurisdiction, which usually caps a foreign currency rating above the rating of the sovereign (full criteria can be accessed here, and country ceilings for each country can be accessed here). The FSO is therefore most comparable to a local currency assessment (i.e. one that excludes transfer & convertibility risk).

In practice, a combination of a very high PFSO (eg IG2 or IG3) with a low OE would be very unlikely, as would be an issuer with an actual local-currency rating in the 'A' category in an environment broadly low speculative grade.

Country Operating Environment Levels

Region	Country	FC IDR	Country Ceiling	Economic Environment	Financial Market Development	Systemic Governance
Africa	Tunisia	BB-	BB	bb	bb	bb
Africa	Egypt	B-	B-	bb	bb	b
Africa	Morocco	BBB-	BBB	bb	bbb	bb
Africa	Nigeria	BB-	BB--	b	bb	b
Africa	Angola	BB-	BB-	bb	b	b
Africa	South Africa	BBB	A-	bbb	a	bbb
Asia-Pacific	Korea	AA-	AA+	a	a	a
Asia-Pacific	Australia	AAA	AAA	aa	aa	aa
Asia-Pacific	Japan	A+	AA+	a	aa	aa
Asia-Pacific	Hong Kong	AA+	AAA	a	aa	aa
Asia-Pacific	New Zealand	AA	AAA	a	a	aa
Asia-Pacific	Singapore	AAA	AAA	a	aa	aa
Asia-Pacific	Taiwan	A+	AA	a	a	aa
Asia-Pacific	Indonesia	BBB-	BBB	bb	bb	B
Asia-Pacific	China	A+	A+	bbb	bb	bb
Asia-Pacific	India	BBB-	BBB-	bb	bbb	bb
Asia-Pacific	Malaysia	A-	A	bbb	a	bbb
Asia-Pacific	Mongolia	B+	B+	b	b	bb
Asia-Pacific	Philippines	BBB-	BBB	bbb	bb	B
Asia-Pacific	Sri Lanka	BB-	BB-	bb	bb	bbb
Asia-Pacific	Thailand	BBB+	A-	bbb	a	bbb
Asia-Pacific	Vietnam	B+	B+	b	bb	bb
Eastern Europe	Slovenia	BBB+	AA+	bb	bb	aa
Eastern Europe	Czech Republic	A+	AA+	bbb	bbb	a
Eastern Europe	Slovakia	A+	AAA	bbb	bbb	A
Eastern Europe	Poland	A-	AA-	bbb	a	A
Eastern Europe	Hungary	BB+	BBB	bb	bbb	A
Eastern Europe	Romania	BBB-	BBB+	bb	bb	bb
Eastern Europe	Azerbaijan	BBB-	BBB-	bb	b	b
Eastern Europe	Bulgaria	BBB-	BBB+	bb	bb	bb
Eastern Europe	Serbia	B+	B+	b	b	bb
Eastern Europe	Macedonia	BB+	BBB-	bb	bb	bb

Region	Country	FC IDR	Country Ceiling	Economic Environment	Financial Market Development	Systemic Governance
Eastern Europe	Georgia	BB-	BB	b	bb	bb
Eastern Europe	Russia	BBB	BBB+	bb	bb	b
Eastern Europe	Kazakhstan	BBB+	A-	bb	bb	b
Eastern Europe	Ukraine	CCC	CCC	ccc	b	b
Latin America	Chile	A+	AA+	a	a	aa
Latin America	Brazil	BBB	BBB+	bbb	a	bbb
Latin America	Mexico	BBB+	A	bbb	bbb	bb
Latin America	Peru	BBB+	A-	bbb	bb	bb
Latin America	Panama	BBB	A	bbb	bb	bbb
Latin America	Colombia	BBB	BBB+	bbb	bbb	bb
Latin America	Uruguay	BBB-	BBB+	bbb	bb	a
Latin America	Argentina	RD	CCC	ccc	b	b
Latin America	Venezuela	B	B	ccc	b	b
Latin America	Ecuador	B	B	b	b	b
Latin America	El Salvador	BB-	BB+	bb	bb	b
Latin America	Guatemala	BB	BB+	bb	bb	b
Latin America	Costa Rica	BB+	BBB-	bb	bb	bbb
Latin America	Dominican Republic	B	B+	b	b	b
Latin America	Jamaica	B-	B	b	b	bb
Middle East	Kuwait	AA	AA+	bbb	bbb	bbb
Middle East	Israel	A	AA-	a	bbb	a
Middle East	Lebanon	B	B	b	bb	b
Middle East	Bahrain	BBB	BBB+	bb	bbb	bbb
Middle East	Abu Dhabi	AA	AA+	bbb	bbb	a
Middle East	Saudi Arabia	AA	AA+	a	bbb	bbb
Middle East	Turkey	BBB-	BBB	bbb	bbb	bbb
North America	Canada	AAA	AAA	aa	aa	aa
North America	United States	AAA	AAA	aa	aa	aa
Western Europe	Ireland	A-	AAA	bbb	a	aa
Western Europe	Spain	BBB+	AA+	bbb	a	aa
Western Europe	France	AA+	AAA	aa	aa	aa
Western Europe	United Kingdom	AA+	AAA	aa	aa	aa
Western Europe	Germany	AAA	AAA	aa	aa	aa
Western Europe	Luxembourg	AAA	AAA	aa	aa	aa

Region	Country	FC IDR	Country Ceiling	Economic Environment	Financial Market Development	Systemic Governance
Western Europe	**Norway**	AAA	AAA	aa	aa	aa
Western Europe	**Switzerland**	AAA	AAA	aa	aa	aa
Western Europe	**Austria**	AAA	AAA	aa	aa	aa
Western Europe	**Sweden**	AAA	AAA	aa	aa	aa
Western Europe	**Denmark**	AAA	AAA	aa	aa	aa
Western Europe	**Netherlands**	AAA	AAA	aa	aa	aa
Western Europe	**Finland**	AAA	AAA	aa	aa	aa
Western Europe	**Belgium**	AA	AAA	aa	aa	aa
Western Europe	**Greece**	B	BB	b	bbb	bbb
Western Europe	**Cyprus**	B-	B	ccc	bb	aa
Western Europe	**Malta**	A	AAA	bbb	bb	aa
Western Europe	**Portugal**	BB+	A+	bb	bbb	aa
Western Europe	**Italy**	BBB+	AA+	bbb	a	bbb

Source: Fitch Data and Ratings as at 1 November 2014.
Operating Environment Levels range from 'aa' to 'b', and exclude 'aaa' and 'c' values, and are based on a broad, qualitative consideration of economic and financial system features, including aggregated bank system viability ratings, international governance scores and analyst judgement. They are not sensitive to small moves in the level of sovereign rating or country ceiling.

III. Financial Terms and Ratios

Fitch-Defined Term	Definition
Operating EBIT	EBIT - Net Non-Operating & Non-Recurring Items - Non-recourse Income - Associate Income/Loss
EBITDA	EBIT - Net Non-Operating & Non-Recurring Items Non-recourse Income -Associate Income/Loss + Depreciation & Amortization
EBITDAR	EBIT - Net Non-Operating & Non-Recurring Items - Non-recourse Income - Associate Income/Loss + Depreciation & Amortization + Rental Expense
Funds from Operation (FFO)	FFO measure of the firm's cash flow after operating expenses, cash payments for taxes, interest and preferred dividends paid, and after dividends paid to minority interests, but before inflows or outflows related to working capital. Fitch's computation subtracts or adds back an amount to exclude non-core or non-operational cash inflow or outflow.
Cash Flow from Operations (CFO)	Funds from Operations + Change in Working Capital
Free Cash Flow (FCF)	Cash Flow from Operations - Capital Expenditures - Common Dividends + Total Non-Operating & Non-Recurring Cash Flow before business acquisition, business divestments and share buyback/special dividends.
Gross or Total Adjusted Debt	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt + Off Balance Sheet Debt - Equity Credit
Readily Available Cash	Cash + Marketable Securities - Restricted Blocked Cash - Seasonality or Working Capital Adjustments
Net Adjusted Debt	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt + Off Balance Sheet Debt - Equity Credit - Readily Available Cash

Ratio	Numerator	Denominator
Adjusted EBITDA Interest Coverage	Operating EBIT + Depreciation & Amortization + Amortization of Goodwill & Intangibles and adjusting for other non cash items.	Gross Interest Expense

Ratio	Numerator	Denominator
Adjusted Gross Debt/EBITDAR	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt + Off Balance Sheet Debt - Equity Credit	Operating EBIT + Depreciation & Amortization + Amortization of Goodwill & Intangibles + Rental Expense
Capex/CFO	Capital Expenditure	Cash Flow from Operations
CFO Margin	Cash Flow from Operations	Revenues
CFO/Lease Adjusted Debt	Cash Flow from Operations	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt + Off Balance Sheet Debt - Equity Credit
EBIT Margin	Operating EBIT	Revenues
EBIT Margin - Group	Operating EBIT including financial services operations	Consolidated revenues
EBIT Margin - Industrial	Operating EBIT excluding financial services operations	Industrial operation revenues
EBITDAR Margin	EBITDAR	Revenues
EBITDAR/(Gross Interest Expense + Rent)	EBITDAR	Gross Interest Expense + Rent
FCF Margin	Free Cash Flow	Revenues
FCF/Total Adjusted Debt	Free Cash Flow	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt + Off Balance Sheet Debt - Equity Credit
FFO Adjusted Leverage	Total Adjusted Debt	FFO + Gross Interest paid minus interest received + Preferred Dividends + Rental Expense
FFO Adjusted Net Leverage	Total Adjusted Debt - Readily Available Cash	FFO + Gross Interest paid minus interest received + Preferred Dividends + Rental Expense

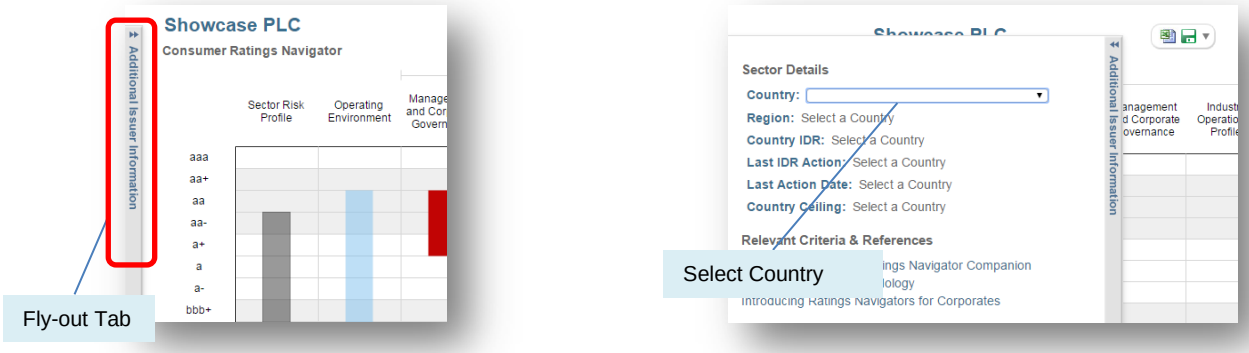
Ratio	Numerator	Denominator
FFO Debt Service Cover	FFO + Gross Interest paid minus interest received + Preferred Dividends + Rental Expense	Gross Interest Expense + Preferred Dividends + Current Debt Maturities
FFO Fixed-Charge Cover	FFO + Gross Interest paid minus interest received + Preferred Dividends + Rental Expense	Gross Interest Expense + Preferred Dividends + Rental Expense
FFO Margin	FFO	Revenues
Gross Debt/(CFO - Capex)	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt Equity Credit	Cash Flow from Operations minus Capital Expenditures reflecting maintenance and improvement of existing assets
Lease Adjusted Debt/EBITDAR	Total Adjusted Debt	EBITDAR
Lease Adjusted FFO Gross Leverage	Total Adjusted Debt	FFO + Gross Interest paid minus interest received + Preferred Dividends + Rental Expense
Lease Adjusted FFO Net Leverage	Total Adjusted Debt - Readily Available Cash	FFO + Gross Interest paid minus interest received + Preferred Dividends + Rental Expense
Lease Adjusted Gross Debt / EBITDAR	Total Adjusted Debt	EBITDAR
Lease Adjusted Net Debt/EBITDAR	Total Adjusted Debt - Readily Available Cash	EBITDAR
Liquidity (Liquidity ratio)	Available cash + undrawn portion of committed facilities + free cash flow (if positive)	12-month debt Maturities + FCF (if negative)
Net Debt/(CFO - Capex)	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt Equity Credit - Readily Available Cash	CFO - Capex
Operating EBITDAR Margin	EBITDAR	Revenues
Pension Plan Funding	Cash contribution to pension plans	FFO before contribution to pension plans

Total Adjusted Debt/Operating EBITDAR	Total Adjusted Debt	EBITDAR
Total Adjusted Debt/Proved Reserves ($/boe)	Total Adjusted Debt	SEC Proven Reserves
Total Debt/Adjusted EBITDA	Short-Term Debt + Long-Term Senior Secured Debt + Long-Term Senior Unsecured Debt + Long-Term Subordinated Debt + Other Debt Equity Credit	Operating EBIT + Depreciation & Amortization + Amortization of Goodwill & Intangibles and adjusting for other non cash items.

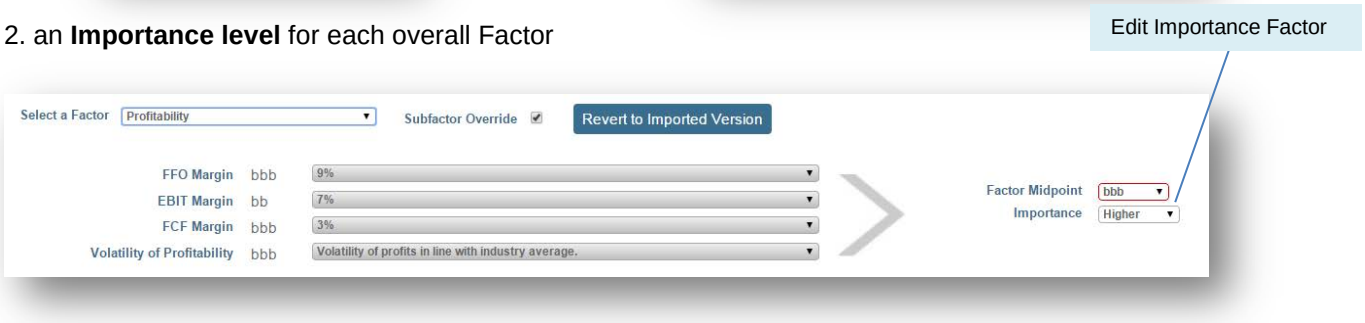
IV. Downloads Troubleshooter

In most cases, a failed download will be caused by a failure, in 'Create' mode, to enter either

1. the **country of incorporation**, using the fly-out information tab on the left, or



2. an **Importance level** for each overall Factor



Entering this data will permit you to save/export the Navigator content to Excel in full.

Browser Security Settings

We have taken every precaution to ensure the tool works in a wide variety of desktop- or laptop-based based user systems, and currently does not require a research registration or subscription arrangement with Fitch. Your browser security settings may nonetheless be subject to restrictions managed by your company's network administrator.

For most networks, the below instructions will ensure you are able to successfully export the Excel version of Navigator Interactive.

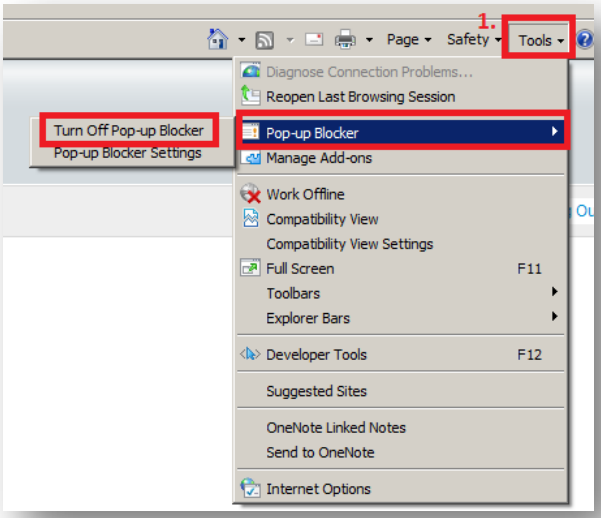
If these steps do not resolve your export problems, please contact **your company's** network administrator, attaching a copy of this User Manual to your request, for their information.

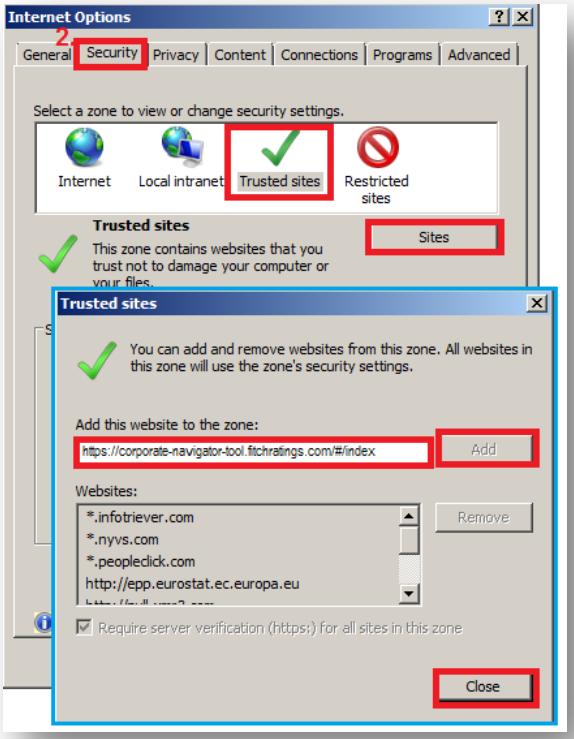
If you still require further help, please contact your nearest Fitch representative listed on the online directory at navigator.fitchratings.com/navigator-interactive.htm.

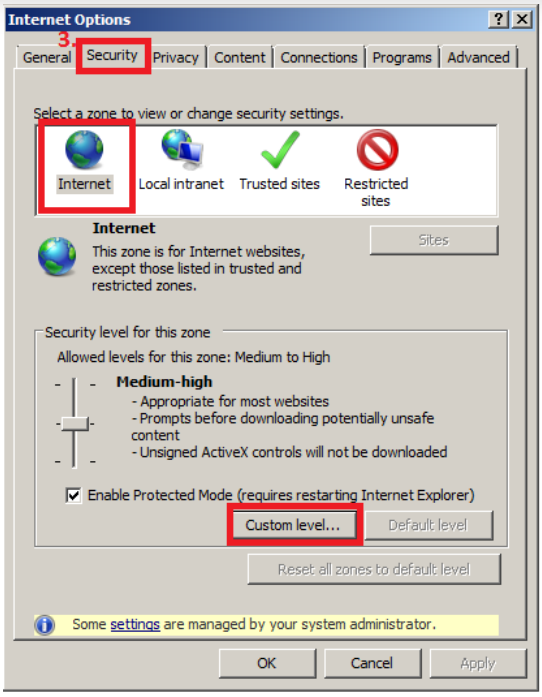
Please note that the current generation of tablets and smartphones generally do not support export functionality.

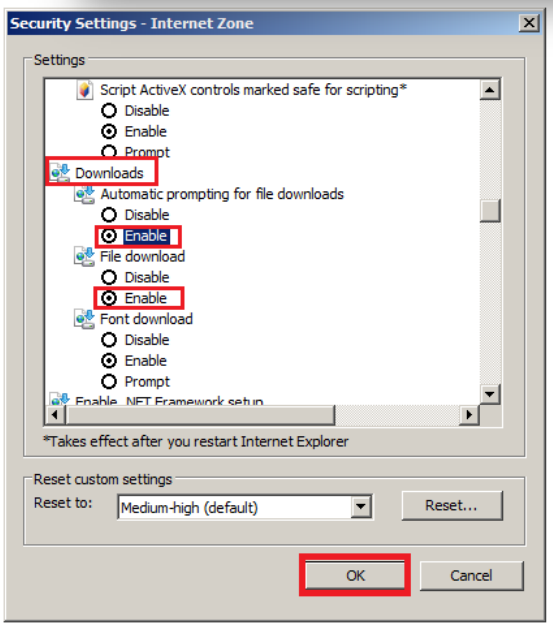
To unblock an Excel download in Internet Explorer (fields may vary across versions)

1. Click the 'Tools' button, 'Pop-blocker', 'Turn off Pop-Blocker'
2. Click on the 'Security' tab, select 'Trusted Sites', 'Sites' and add https://corporate-navigator-tool.fitchratings.com/#/index to the safe zone.
3. Under the 'Security Settings – Internet Zone' window scroll down to '**Downloads'**, under '**Automatic prompting for file downloads**', click '**Enable**', and then click '**OK'** twice.



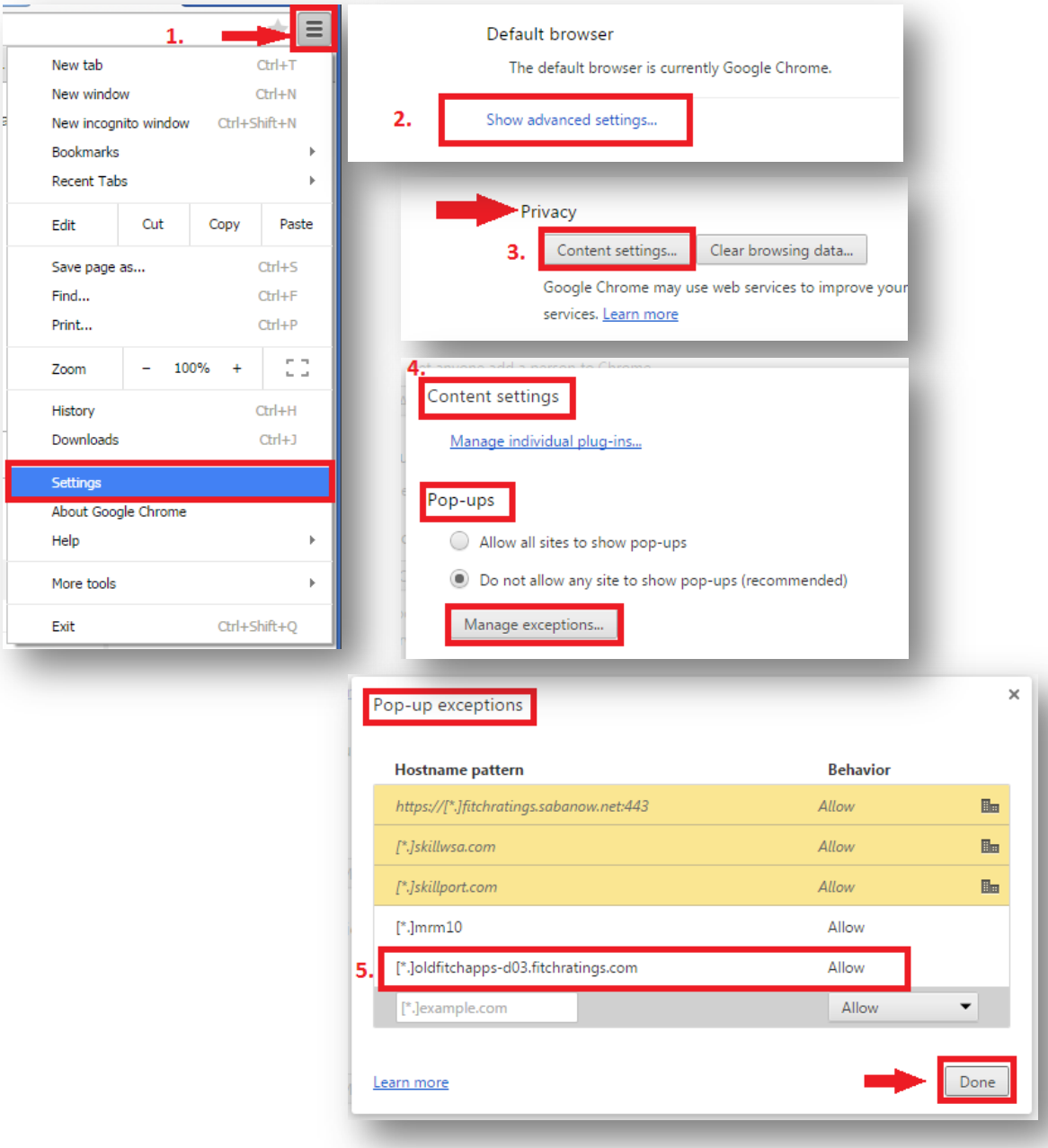






To unblock a download in Google Chrome

1. In the top-right corner of Chrome, click the Chrome menu > 'Settings'.
2. At the bottom left side of the page, click 'Show Advanced Settings'.
3. Scroll down to the 'Privacy' section, and click the 'Content Settings' button.
4. Under 'Content Settings', scroll down to the 'Pop-ups' section, click 'Manage Exceptions'.
5. Paste https://corporate-navigator-tool.fitchratings.com/#/index into the Pop-up exceptions field and click 'Done'.
6. Scroll down to the 'Automatic Downloads' section and verify that prompting is enabled.
7. Click 'Done' at the bottom of the page to save your settings.



V. Frequently Asked Questions

How do Navigator and Navigator Interactive differ?

Navigator for Corporates	Navigator Interactive
A snapshot summary, charting an issuer's profile against the peer observations/expectations for its industry at different rating category levels. A graphical summary of the impact of operating environment, including country risks and access to capital, for each issuer. Available as a printed research report, both for individual issuers and in compendiums by industry and region.	A web tool charting an issuer's profile against the peer observations for its industry at different rating category levels. For rated issuers, users can adjust the level of importance they associate with different features of the issuer's profile. For unrated issuers, users can review a selection of pre-charted unrated issuers, or enter their own observations for issuers outside the database into sector templates. Data can be exported into Excel.

How many companies will appear in Navigator? Will Fitch also publish Navigators for unrated companies?

For the static Navigator research product, we expect to publish Navigator charts for the vast majority of our rated issuers, other than in selected cases where ratings are driven almost entirely by external support and a standalone Navigator reading would be misleading. Over time, we will also offer Navigator content on a selection of unrated issuers.

Does Navigator change Fitch's criteria or rating process?

The observations inside Navigator do not represent any change to the criteria Fitch has established over many years. Instead, Navigator adds both more granularity and more cross-border comparability to our peer comparisons, showing clearly how individual issuers compare to rated peers on strategy and expected performance.

Will Navigator Interactive for Corporates generate an estimated rating for unrated companies?

No. The relative influence of different factors on an issuer's credit rating is not a pre-programmable setting – it varies over time and between entities for good reason. No simple tool can capture all the possible factors that can affect a rating. Pre-setting a weighting ignores the potentially critical impact that non-standardised factors can have. The level of influence also changes over time, and, to some extent, across regions.

Determining all factors, not just the commonly considered ones, and weighing their relative importance at any given time, is the core of the work done by our rating committees.

What is the 'Factor Summary Observation'?

Recognising from feedback that users would like a simplified summary of how influences interact, Navigator Interactive includes a Factor Summary Observation (FSO). The FSO is an evenly weighted sum of the observations compared in the Navigator for that industry. Users can also adjust the relative importance at the factor level to see what impact this may have on the overall profile of the issuer. Navigator will compute and present an FSO as a banded range of rating levels.

How often does the FSO coincide with the Fitch rating?

We reviewed the levels of FSO generated for issuers that also have a Fitch rating, as part of the process of setting the standardised calculations for Factor and FSO generation. The level of overlap varied, but the overall level of overlap was upwards of 75% in our initial review.

What are the biggest limitations in the expressive power of the FSO?

Users should recall that the FSO is not designed to be a synthetic rating. It only considers the narrow range of topics for which Navigator holds peer data, and only in terms of the standardised calculations of relative importance. Dominant single factors (eg a liquidity crisis, exchange controls, transformational reputational or operational failures) are difficult to replicate in any peer comparator tool as simplistic as the FSO.

In addition, Navigator is designed to be as granular as practical in terms of industry sector, but many companies will operate in smaller sub-niches within a given sector, or across multiple sectors, or in sectors that vary in their perimeter to a greater or lesser extent from that included in the Navigator template. Equally, while we have published a number of regional or country-specific Navigator templates to reflect the fact that different factors may have different significance for the same industry across different countries, for many industries we have published a global template where these local differences are subject to elision.

Finally, a material number of issuers rated by Fitch are supported or constrained by the ratings of related parties, which are not represented in Navigator and therefore not represented in the FSO. For some companies, this deemed support or constraint can amount to multiple categories in difference versus a standalone rating.

Is there any limit on the number of Factors I can or should choose to be 'High Importance'?

The tool does not limit the number of times that you can assign a certain level of Importance to individual Factors for a given issuer. In practice, our observation from published Navigators would be that two to three factors would be a reasonable number to assign as "High Importance".

Which factors should I pick to be 'Low Importance' and 'High Importance'?

The selection of Importance levels is one of a number of areas where users can introduce their own credit views into the tool – they should experiment to see what combination best reflects their own concerns. One useful guideline is provided in the colour-coded peer table directly below the editing area, where you can instantly see which Factors have been assigned 'Low', 'Moderate' and 'High' importance for immediate peers by Fitch's own analysts.

Can I compare issuer data from issuers entered using different Navigator sector templates?

No. Attempting to compress all issuers into a universal set of credit factors loses a tremendous amount of 'signal' in the process. As a result, we have endeavoured to tailor the Navigator templates as much as possible to the industry of the issuer, which means that the columns, while identical in number, and consistently split between Business and Financial Risks, are not comparable from one industry Navigator to another.

The 'Generic' Navigator template is designed for sectors with very small levels of individual coverage for which no other sector Navigator has been designed. It is useful as a broad benchmark, but unsurprisingly has one of the lowest levels of overlap between FSO and rating level.

Where can I find the template data underlying each industry's Navigator?

Users should use Navigator Interactive in conjunction with the full range of Navigator resources offered by Fitch. For each of the more than 40 sector-based Navigator templates, Fitch publishes both a **Companion report** and a **Reference File**.

> The *Companion Report* is a narrative description of the analysis that lies behind the selection of Factors and Subfactors for each sector, and a discussion of which rating levels align with which Subfactor values.
>
> The *Reference File* is an Excel-based workbook that contains all the Subfactor values for each template, in one location.

As examples, you can review the Companion report and Reference File for the Generic Rating Navigator. A full list of all current Navigator Companion reports (and associated Reference Files), can be found at navigator.fitchratings.com.

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1.3 THE FACTOR SUMMARY OBSERVATION (THE "FSO") GENERATED BY THE USER WITHIN THE NAVIGATOR TOOL REPRESENTS A SIMPLE, WEIGHTED AVERAGE OF PEER OBSERVATIONS, AS SET FORTH IN THE ACCOMPANYING MANUALS AND USER GUIDES MADE AVAILABLE AS A CONVENIENCE FOR USERS OF THE FITCH WEBSITE. THE FSO IS NOT A CREDIT RATING. CREDIT RATINGS ARE DETERMINED AT ALL TIMES USING A COMMITTEE PROCESS, BASED UPON ANALYTICAL JUDGMENTS AND UPON ALL INFORMATION IN RESPECT OF A RATED ISSUER AVAILABLE TO AND CONSIDERED TO BE RELEVANT BY FITCH, AND AS SUCH, THE FSO DOES NOT AND CAN NOT REPRESENT A RATING JUDGMENT OR SUBSTITUTE THEREFOR. LIMITATIONS TO THE DETERMINATION OF AN FSO AND USAGE OF THE NAVIGATOR TOOL INCLUDE, BUT ARE NOT LIMITED TO: THE SELECTIVE NATURE OF THE OBSERVATION POINTS CONSIDERED; THE RELATIVE INSENSITIVITY OF THE WEIGHTING PROCESS TO INDIVIDUALLY AND MULTIPLY DOMINANT FACTORS; THE POINT-IN-TIME NATURE OF THE OBSERVATIONS AND ANY RESULTANT FSO GENERATED THEREFROM; THE ABSENCE OF FACTORS REFLECTING THE INFLUENCE OF RELATED PARTIES, WHERE STRONGER RELATED PARTIES' SUPPORT CAN LEAD TO MATERIALLY HIGHER RATINGS, AND WEAKER RELATED PARTIES' INFLUENCE CAN LEAD TO MATERIALLY LOWER RATINGS THAN THE STANDALONE PROFILE OF THE ENTITY MAY OTHERWISE BE; THE ABSENCE OF MODIFYING OUTLOOK OR WATCH STATUS; THE SYNTHESIS OF THE IMPACT OF COUNTRY RISKS THROUGH THE MEDIUM OF THE BLENDED OPERATING ENVIRONMENT FACTOR; DIFFERENCES IN RELATIVE OVERLAP BETWEEN AN ENTITY'S OPERATIONS AND THE INDUSTRY TEMPLATE APPLIED IN THE NAVIGATOR TOOL, INCLUDING WHERE MULTIPLE NAVIGATOR TOOLS ARE PREPARED FOR ENTITIES ACTIVE IN MULTIPLE SECTORS; MANAGEMENT DECISIONS AT THE ENTITY ON FINANCIAL POLICY, INCLUDING BUT NOT LIMITED TO: VOLUNTARY BANKRUPTCY, ADMINISTRATION OR ANNOUNCEMENTS OF RESTRUCTURING.

1.4 FITCH MAY BE GRANTED ACCESS, FROM TIME TO TIME, TO CONFIDENTIAL INFORMATION WITH RESPECT TO CERTAIN ELEMENTS OF AN ISSUER'S FORWARD PLANNING, AND SUCH INFORMATION MAY BE OMITTED FROM RELEVANT NAVIGATOR SNAPSHOTS OR THE NAVIGATOR TOOL AT FITCH'S SOLE DISCRETION, EVEN IN CASES WHERE IT IS INCLUDED IN FITCH OWN INTERNAL RATING DELIBERATIONS.

1.5 IN ISSUING AND MAINTAINING THE NAVIGATOR TOOL, FITCH RELIES ON FACTUAL INFORMATION IT RECEIVES FROM ISSUERS AND UNDERWRITERS AND FROM OTHER SOURCES FITCH BELIEVES TO BE CREDIBLE. FITCH CONDUCTS A REASONABLE INVESTIGATION OF THE FACTUAL INFORMATION RELIED UPON BY IT IN ACCORDANCE WITH ITS RATINGS METHODOLOGY, AND OBTAINS REASONABLE VERIFICATION OF THAT INFORMATION FROM INDEPENDENT SOURCES, TO THE EXTENT SUCH SOURCES ARE AVAILABLE FOR A GIVEN SECURITY OR IN A GIVEN JURISDICTION. THE MANNER OF FITCH'S FACTUAL INVESTIGATION AND THE SCOPE OF THE THIRD PARTY VERIFICATION IT OBTAINS WILL VARY DEPENDING ON THE NATURE OF THE PARTICULAR ISSUER AND ANY RELEVANT SECURITY, THE REQUIREMENTS AND PRACTICES IN THE JURISDICTION IN WHICH ANY RELEVANT SECURITY IS OFFERED AND SOLD AND/OR THE ISSUER IS LOCATED, THE AVAILABILITY AND NATURE OF RELEVANT PUBLIC INFORMATION, ACCESS TO THE MANAGEMENT OF THE ISSUER AND ITS ADVISERS, THE AVAILABILITY OF PRE-EXISTING THIRD PARTY VERIFICATIONS SUCH AS AUDIT REPORTS, AGREED-UPON PROCEDURE LETTERS, APPRAISALS, ACTUARIAL REPORTS, ENGINEERING REPORTS, LEGAL OPINIONS AND OTHER REPORTS PROVIDED BY THIRD PARTIES, THE AVAILABILITY OF INDEPENDENT AND COMPETENT THIRD PARTY VERIFICATION SOURCES WITH RESPECT TO ANY RELEVANT SECURITY OR IN THE PARTICULAR JURISDICTION OF THE ISSUER, AND A VARIETY OF OTHER FACTORS. USERS OF FITCH'S FORECASTS SHOULD UNDERSTAND THAT NEITHER AN ENHANCED FACTUAL INVESTIGATION NOR ANY THIRD PARTY VERIFICATION CAN ENSURE THAT ALL OF THE INFORMATION THAT FITCH RELIES ON IN CONNECTION WITH A NAVIGATOR SNAPSHOT WILL BE ACCURATE AND COMPLETE. ULTIMATELY, THE ISSUER AND ITS ADVISERS ARE RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION THEY PROVIDE TO FITCH AND TO THE MARKET IN OFFERING DOCUMENTS AND OTHER REPORTS. IN ISSUING ITS NAVIGATOR SNAPSHOTS, FITCH MUST RELY ON THE WORK OF EXPERTS, INCLUDING INDEPENDENT AUDITORS WITH RESPECT TO FINANCIAL STATEMENTS AND ATTORNEYS WITH RESPECT TO LEGAL AND TAX MATTERS. FURTHER, NAVIGATOR SNAPSHOTS ARE INHERENTLY FORWARD-LOOKING AND EMBODY ASSUMPTIONS AND PREDICTIONS ABOUT FUTURE EVENTS THAT BY THEIR NATURE CANNOT BE VERIFIED AS FACTS. AS A RESULT, DESPITE ANY VERIFICATION OF CURRENT FACTS, THE VIEWS CONTAINED WITHIN NAVIGATOR SNAPSHOTS CAN BE AFFECTED BY FUTURE EVENTS OF CONDITIONS THAT WERE NOT ANTICIPATED AT THE TIME A NAVIGATOR SNAPSHOT WAS ISSUED OR ENTERED INTO THE NAVIGATOR TOOL.

1.6 THE PROGRAM IS DESIGNED TO PROVIDE EXPERIENCED LICENSEES WITH A STARTING POINT FOR COMPARING BUSINESS AND FINANCIAL RISKS ACROSS COMPANIES. ALL ASSUMPTIONS AND FORMULA SHOULD BE REVIEWED BY THE LICENSEE BEFORE USE AS THEY MAY NOT REFLECT THE ASSUMPTIONS AND FORMULAE THAT THE LICENSEE WOULD HAVE CHOSEN TO USE, AND OUTPUTS SHOULD BE CHECKED FOR MECHANICAL ACCURACY AND REASONABLENESS.

1.7 FITCH DOES NOT PROVIDE INVESTMENT ADVICE OF ANY SORT. FITCH IS NOT RESPONSIBLE FOR ANY UNDERWRITING, CREDIT LOAN, PURCHASE, STRATEGIC OR INVESTMENT DECISIONS. IN LICENSING THIS PROGRAM TO YOU, FITCH IS NOT MAKING ANY RECOMMENDATION OR SUGGESTION, DIRECTLY OR INDIRECTLY TO YOU OR ANY OTHER PERSON, TO BUY, SELL, MAKE OR HOLD ANY INVESTMENT, LOAN OR SECURITY OR COMMENTING ON THE SUITABILITY OF ANY INVESTMENT, LOAN OR SECURITY FOR LICENSEE OR OF UNDERTAKING ANY INVESTMENT STRATEGY WITH RESPECT TO ANY INVESTMENT, LOAN OR SECURITY OR ANY ISSUER. FITCH IS NOT LICENSEE'S ADVISOR AND IS NOT PROVIDING TO LICENSEE OR ANY OTHER PERSON ANY INVESTMENT OR FINANCIAL ADVICE.

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